DEPARTMENT OF HEALTH AND SOCIAL SECURITY

EXPLANATORY MEMORANDUM ON THE NATIONAL SUPERANNUATION AND SOCIAL INSURANCE BILL 196

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I INTRODUCTION

1. In January 1969 the Government published, as Cmnd. 3883, their proposals for a new system of earnings-related contributions and pensions. The corresponding proposals for sickness, unemployment, and other short-term contingencies, were published in July in a further White Paper (Cmnd. 4124). Public discussion of these proposals has, of course, produced some suggestions that social security should develop along quite different lines, but there has been little criticism of any major feature of the scheme given that the general approach is right, as the Government believe it is. The consultations which the Government have had with interested organisations have naturally produced varying, and sometimes conflicting, arguments about particular features. The Government have carefully weighed the balance of these arguments but in no important instance has it justified, in the Government's view, a change in the original proposals. Consequently, the National Superannuation and Social Insurance Bill now before Parliament has the primary aim of implementing the proposals in these two White Papers (including the amendments to the industrial injuries scheme foreshadowed in Cmnd. 4124, paragraphs 33–36). On one important aspect of the scheme, partial contracting out, firm proposals were not included in Cmnd. 3883, but were formulated, following widespread consultation, in a later White Paper, Cmnd. 4195, published in November. The Bill also implements these proposals.

2. Cmnd. 4124 (paragraph 41) referred to the Government Actuary's estimate that, to provide for the improved benefits proposed, and taking account of the latest sickness experience, the contribution from employers and employed persons into the Social Insurance Fund and towards the National Health Service might need to be increased above the level of 2% a side of relevant earnings indicated in Cmnd. 3883. The actual rate to be specified in the legislation would, however, depend on final decisions on the new scheme as a whole and on the National Health Service contribution. The Government have now decided that employers should bear a higher proportion of the National Health Service contribution than employees and that the percentage contribution for employers should be 0.6% as compared with 0.3% for employees. This will mean a total contribution rate for all purposes of 7% for employers and 6¾% for employees where these are not contracted out, as compared with 6¾% a side proposed in Cmnd. 3883. Full details of the new contributions are given in paragraphs 5 to 9 and Table 1 below.

3. In view of the extent of the changes from the present system, the Bill largely repeals and replaces the existing national insurance legislation. However, much of the administrative framework of the scheme, and many of the ancillary provisions, will be essentially the same and parts of the existing legislation are therefore re-enacted with little or no alteration. The industrial injuries changes, being smaller in scope, are mainly achieved by amending the National Insurance (Industrial Injuries) Act, 1965, which is not being repealed. This Explanatory Memorandum describes the main provisions of the Bill. A Report by the Government Actuary (Cmnd. 4223) deals with its financial provisions.

4. The upper limit of earnings covered by the scheme, and a number of other figures determining liability for contributions or entitlement to benefit, are related to national average earnings. Other figures are related to the level of benefits under the present scheme. The figures in the Bill, like those in Cmnd. 4124, are based on April 1969 earnings and on the benefit rates which

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came into force in November 1969 and are thus higher than those quoted in Cmnd. 3883. These figures, as noted in paragraphs 10 and 54, are subject to review in the light of movements in prices and earnings, and it is therefore probable that different figures will be substituted before the scheme comes into operation.

II Contributions

5. The new arrangements, like the present national insurance scheme and the contributory schemes which preceded it, will be financed jointly by the contributions of individuals, of employers and of the State. The amounts paid by individuals and by employers will be divided, as described in the following paragraphs and Table 1, between the National Superannuation Fund (from which will be paid retirement pensions, widows' benefits and death grant), the Social Insurance Fund (which will finance the remaining insurance benefits, including those of the industrial injuries scheme), a contribution towards the cost of the national health service and, for employers only, a payment into the Redundancy Fund. There will also be a Treasury supplement paid into the National Superannuation and Social Insurance Funds equal to 18% of the contribution income of those Funds (though calculated, in respect of the National Superannuation Fund, as though there were no provision for partial contracting out).

6. The Bill enables contributions by employees and employers to be collected through the PAYE income tax arrangements. In general, contributions will be payable by them on earnings which are assessable to tax under Schedule E. In terms of April 1969 earnings levels it is proposed to provide by regulation that employees who have earnings of less than £6 5s. a week should not be liable to pay contributions as employed persons (though they will be able to pay the voluntary basic contributions described in paragraph 8); this figure is the present figure below which employees are not normally within the PAYE system, and it will be adjusted periodically in line with changes in earnings levels. These rules will apply to married women, and to those widows who at present can choose not to pay flat-rate contributions, in the same way as to all other employees. The main contribution rate for an employee will be 6·75% of the first £1,900* of his annual earnings: an employer will pay 7% of the total earnings of all his employees. However, where an employee is in recognised pensionable employment and therefore within the provisions for partial contracting out (see paragraphs 67 to 76) the national superannuation element of the contribution which he and his employer will pay will be reduced, in respect of the first £1,900 of his annual earnings, by 1·3%. The different components of employees' and employers' contributions are shown in Table 1.

7. Self-employed people (including self-employed married women and widows) will pay flat-rate contributions of £1·54 (about £1 10s. 10d.)‡ a week—£1.16 for national superannuation, 27 new pence for social insurance and 11 new pence towards the cost of the national health service. These weekly contributions will give the same right to flat-rate sickness benefit and maternity allowance as an employee would receive from earnings of £8 8s.† a week: in

* As paragraph 4 makes clear, this figure reflects April 1969 earnings levels. The Bill provides that the scheme's upper limit, when adjusted in line with rising earnings, will always be rounded to a multiple of £100.

‡ Amounts of less than £1 are expressed in the Bill in the decimal currency which will be in operation by the time it comes into force. In this Memorandum the more familiar £ s. d. notation has generally been used, with decimal equivalents shown in Appendix A.

† As paragraphs 30 and 41 explain, 50 weeks' earnings averaging at least £8 8s. (that is £420 or more in a complete year) will be sufficient to give entitlement to flat-rate sickness benefit and maternity allowance at the standard level of £5 a week.

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the case of other benefits (except unemployment benefit, for which self-employed persons' contributions do not count) each weekly contribution will be treated as if the self-employed person had had earnings of £12 4s.* in that week. The contributions will be compulsory for people whose actual earnings from self-employment amount to £630 a year or more, but those self-employed people whose earnings are under £630 but not less than £325 will not have to pay them, provided they have applied for and been granted exemption. Those who earn less than £325 a year from self-employment will only be entitled to pay the basic contributions described in the next paragraph.

8. Employed people whose earnings are too low for them to have to contribute compulsorily, self-employed people earning under £325 a year and people with no earnings at all will be entitled to pay a voluntary basic contribution of 90 new pence (18s.) a week—80p. for national superannuation, 2p. for social insurance and 8p. towards the cost of the health service. In calculating rights to all benefits except unemployment and sickness benefit and maternity allowance, each weekly contribution will count as if £8 8s.† had been earned in that week. People who earn less than £440** in a tax year will be entitled to pay, in addition to their normal contributions, as many basic contributions as are required to bridge the gap between their actual earnings and earnings of £440. Thus the payment of five basic contributions, equivalent to earnings of £42, would enable someone who had contributed on earnings of about £400 to improve his pension rights to the level obtainable with annual earnings of £440.

9. As the scheme's upper limit increases (see paragraph 4) and as benefits rise the levels of self-employed and basic contributions will be adjusted by order. The amounts payable for social insurance and industrial injuries (initially set at 1·7% for employers and employees) may also be varied by order, as may the amount of the contribution reduction (1·3% a side) for people in recognised pensionable employment. Under a similar power (to be exercised in practice by the Secretary of State for Employment and Productivity) variations may be made in the contributions of employers into the Redundancy Fund.

10. As noted in paragraph 4, the limit of earnings covered by the scheme (£1,900 in the Bill), and all figures linked to it, will be regularly revised so as to maintain their relationship to national average earnings. The Bill requires such orders as are necessary for this purpose to be made at two-yearly intervals. The recorded earnings of each contributor will be revalued in proportion to each change in the scheme's upper limit. Thus when pension age is reached, each contributor will be able to draw a pension calculated on earnings all of which have been increased in line with the general rise in living standards.

* Subject to rounding up to the next multiple of 2s. (10 new pence) this is the level of weekly earnings equivalent to annual earnings of £630. As paragraph 16 shows, £630 a year (i.e. one-third of the scheme's upper limit, subject to rounding) is to be the level up to which pension under the Bill represents 60% of earnings.

‡ This figure, wherever it occurs in this Memorandum, is to be understood as the annual equivalent of the weekly figure of £6 5s. referred to in paragraph 6. It is variable by regulations.

† Subject to rounding up to the next multiple of 2s. (10 new pence), this is the level of weekly earnings necessary to produce, under the provisions of the Bill, a pension corresponding to the present standard rate pension of £5 a week.

** Subject to rounding to a multiple of £10, this figure represents the earnings derived from payment of a basic contribution in each week of the year.

TABLE 1

PERCENTAGE CONTRIBUTIONS BY EMPLOYEES† AND EMPLOYERS

	Employee not contracted out %	Employee contracted out %
Employee's contribution (on the first £1,900 earnings in each income tax year):		
National Superannuation	4·75	3·45*
Social Insurance (including industrial injuries)	1·7	1·7
National Health Service	0·3	0·3
TOTAL	6·75	5·45*
Employer's contribution (on all the employee's earnings):		
National Superannuation	4·5	3·2*
Social Insurance (including industrial injuries)	1·7	1·7
National Health Service	0·6	0·6
Redundancy Fund	0·2	0·2
TOTAL	7·0	5·7*

III National superannuation benefits

Qualifying conditions

11. The Bill lays down a minimum condition for retirement pension that earnings (as defined in paragraph 15) must have reached £325 in each of ten income tax years. For this purpose a woman who is, or has been, married will be able to count any years in which her husband's or ex-husband's earnings reached the required level. Transitional regulations will modify the ten-year test to take account of contributions under the present scheme.

12. The qualifying test for widows' benefits is that the husband's earnings reached £325 in any one income tax year. (Regulations may provide that a husband who did not satisfy this test may nevertheless entitle his widow to six months' widow's allowance if he satisfied the minimum earnings condition for sickness benefit in the relevant income tax year before he died.) The same test of £325 earnings in a single year will give entitlement to death grant. As now, the test may be satisfied for death grant purposes by the deceased, a spouse or (in certain circumstances) by a parent or relative.

† Examples of the weekly contributions payable by employees with different levels of earnings are given in Appendix B.

* These reduced percentages are payable in and after the tax year containing the employee's 19th birthday, and so long as he is under age 65 (60 for a woman). For the employer, they apply only to the first £1,900 of the employee's annual earnings: thereafter the full national superannuation contribution becomes payable.

Retirement pension

13. Pension will be payable as at present, on retirement at or after the age of 65 for men or 60 for women. As now, from the age of 70 for men (and 65 for women) full pension will be paid whatever the pensioner earns. Below these ages pensions will be reduced if weekly earnings exceed a prescribed level (at present £7 10s.).

14. Pensions under the new scheme will be based on average earnings from the beginning of the income tax year containing the 19th birthday (or from the start of the scheme, if later) until the end of the last complete tax year before pensionable age. (For the special arrangements which will apply during the scheme's first twenty years, see paragraphs 46 to 49.) In calculating average earnings, only those up to the scheme's upper limit for that year will be taken into account and, as explained in paragraph 10, they will be revalued in proportion to changes in the upper limit up to the time the contributor reaches pension age. Thus if, for example, the scheme's upper limit were £1,900 when it began but rose, under the biennial adjustments described in paragraph 10, to £3,000 by the time an individual reached pension age, every £19 of the earnings on which he contributed in the first year of the scheme would be counted as £30 when his pension was calculated.

15. Subject to the upper limit of £1,900, the record may include earnings from employment on which contributions have actually been paid, credited earnings (see paragraph 58) and the earnings equivalent of self-employed and basic contributions. Credited earnings will normally have the same value—£12 4s. a week—as the earnings derived from weekly self-employed contributions. As explained in paragraph 8, basic contributions, each of which is equivalent to earnings of £8 8s., can be used to raise the earnings record to £440 where it would not otherwise have reached that level.

16. The main retirement pension payable under the Bill will consist of 60% of the first £630 of an individual's life average earnings, plus 25% of any earnings between £630 and the upper limit of £1,900. (These cash figures will be adjusted as earnings rise—see paragraphs 4 and 10.) At 1969 levels, the maximum pension payable under this formula would be £695 10s. a year (£13 7s. 6d. a week) in return for contributions on life average earnings of £1,900. Life average earnings of £630 would produce an annual pension of £378, or about £7 5s. a week. Further examples of the pensions payable at different earnings levels are given in Appendix C. The pensions of people who have worked in recognised pensionable employment—and paid the reduced contributions shown in Table 1—will be subject to reduction, as described in paragraphs 73 to 76.

17. A married woman who reaches pension age and retires, but whose husband has not retired, will be entitled to a pension calculated as in the last paragraph from any earnings record of her own. Where however her husband has retired and qualified for pension, she will have the alternative of an annual pension of £161 4s. (which is the same level—£3 2s. a week—as the existing pension for a wife on her husband's record) plus 25% of her own life average earnings.

18. Annual pensions (calculated either as in paragraphs 14 to 17 above or under the special provisions for the widowed and divorced—see paragraphs 25 to 27) will be incremented in two ways. First, an individual will qualify for

extra pension equal to 6% of the total contributions (other than health service contributions) which he pays in and after the tax year in which he reaches age 65 (60 for a woman). Secondly, he will receive 6% of any pension forgone through postponement of retirement beyond the 65th (60th) birthday. By pension forgone is meant the total amount of pension which could have been drawn had retirement taken place on the 65th (60th) birthday, less the amount of any national superannuation or social insurance benefits actually received after that date*.

19. Graduated retirement pension earned between 1961 and the start of the new scheme will be payable in addition to the new national superannuation pensions.

Widows' benefits

20. Widow's allowance will be payable for the first six months of widowhood at a weekly rate of £7. Additions of £2 9s. a week—less family allowances—will be made for each dependent child. Where both husband and wife were over pension age at his death, title to the allowance will be limited, as now, to cases where the husband had not retired.

21. An earnings-related addition will, as at present, be payable with widow's allowance. It will be based on the husband's average weekly earnings (defined as one-fiftieth of the earnings on which he paid employee's contributions in the relevant income tax year) and will consist of one-third of that part of his average weekly earnings which lay between £8 8s. and the upper limit of the scheme. The maximum increase—at 1969 levels—would be payable where the husband's earnings had been £1,900 or more and would in weekly terms be one-third of £29 12s. (i.e. the excess of his weekly earnings over £8 8s.) or about £9 17s. a week. The maximum personal weekly benefit for a widow would thus be £16 17s.

22. After the end of entitlement to widow's allowance, widowed mother's allowance will be payable to a widow who has a son or daughter under 19 living with her. The allowance will be based on the husband's average earnings calculated as for retirement pension (see paragraphs 14 and 15). Where his average earnings up to the tax year preceding his death were more than £630 a year, his record will be completed by crediting him with earnings of £630 for the remaining years in his retirement pension test period; in other cases the widow's benefit will be based on his average earnings up to his death. When his average earnings have been established, the rate of widowed mother's allowance will be obtained by applying the 60%/25% formula (see paragraph 16). (For special arrangements applying during the scheme's first twenty years, see paragraphs 46 to 48.) Where the husband was already over 65 at his death, the rate of the allowance will be that of his retirement pension. The widow's personal benefit will be increased by £2 9s. a week—less family allowances—for each dependent child.

23. A widow who is not entitled to a widowed mother's allowance will

* For example, a person forgoing pension of £5 a week (£260 a year) during two years of deferred retirement, who paid £80 in contributions (other than health service contributions) during that time would have pension increments based on £600—that is, £520 pension forgone plus £80 in contributions paid. If however, £100 in sickness benefit had been drawn during deferred retirement, increments would be based on only £500. In these circumstances the extra pension payable on retirement would be 6% of £500, or £30 a year—so that the original annual pension of £260 would be raised to £290, or about £5 11s. 6d. a week.

qualify for a widow's pension if she is aged 40 or more at widowhood or when her widowed mother's allowance ceases. If she is 50 or over at the relevant time, her widow's pension rate will be calculated in the same way as widowed mother's allowance. Where however she is between 40 and 49 at that time, the full age-50 rate of the pension will be scaled down by 7% for each year or part-year by which her age falls short of 50. Table 2 shows the proportion of full pension payable at different ages.

TABLE 2

SCALED DOWN PENSIONS FOR YOUNGER WIDOWS

Age at widowhood or cessation of widowed mother's allowance	Proportion of full widow's pension %	Age at widowhood or cessation of widowed mother's allowance	Proportion of full widow's pension %
49	93	44	58
48	86	43	51
47	79	42	44
46	72	41	37
45	65	40	30

24. Regulations will provide for a flat-rate pension, scaled down as in Table 2, to become payable to existing widows who were widowed, or who ceased to be entitled to widowed mother's allowance, between the ages of 40 and 49.

Retirement pensions for widows and divorcees

25. A woman widowed over age 60 will receive a retirement pension based on her husband's earnings rather than her own earnings, if it is higher. If her husband was over 65 when he died, this pension will be at the same rate as he was drawing or could have drawn, if he had retired. If her husband was under age 65, it will be at the same rate as a widowed mother's allowance, calculated as in paragraph 22.

26. A woman widowed before she is 60 will have her retirement pension calculated by whichever of the following three methods is more favourable to her. First, the calculation may be based entirely on her own earnings record. Or, secondly, she may rely on her own record of earnings for the period after her husband's death or after she ceased to be entitled to widowed mother's allowance and, for earlier periods, on her husband's earnings (reckoned as in the calculation of long-term widowhood benefits—see paragraphs 22 and 23). Or, thirdly, she may use whatever earnings figure would have produced, over her working life, a retirement pension at the same level as her existing widow's benefit; these notional earnings may be increased, in respect of the income tax year in which her husband died and subsequent ones, by any actual earnings of her own—subject to the combined record not exceeding the scheme's upper limit. When it is established which of these three methods of calculation gives the most favourable figure of life average earnings, pension will be calculated under the 60%/25% formula, as in paragraph 16.

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27. A woman over 60 whose marriage ends in divorce will be treated as though she had been widowed on the date of the decree absolute, and will have her retirement pension calculated as in paragraph 25. If the divorce took place before age 60, she may either rely entirely on her own earnings record for the calculation of her retirement pension or may use her own earnings only for the tax years after the marriage ended, using her ex-husband's record (calculated as for widowhood benefits and as though he had died on the date of divorce) for earlier tax years.

Death grant

28. A grant of £30 will generally be payable in respect of the death of an adult. As under the present scheme, the grant in respect of a man who was between 55 and 65, or a woman who was between 50 and 60, on 5 July 1948 will be £15. Regulations will provide a scale of grants for children of different ages.

IV. Social Insurance benefits

Qualifying conditions

29. As explained in paragraphs 30 and 41, entitlement to unemployment and sickness benefit and maternity allowance will depend upon earnings in a particular income tax year. Invalidity pension will only be payable if there has been a preceding spell of sickness benefit. For the remaining social insurance benefits—maternity grant, attendance allowance, and child's special allowance—there will be a common qualifying condition of £325 earnings (as defined in paragraph 15) in any one income tax year. A woman may qualify for maternity grant or attendance allowance provided that either she or her husband has satisfied the qualifying condition: for child's special allowance it may be satisfied only by her late husband. Regulations may allow a person to be treated as satisfying the qualifying condition provided that, at the time benefit is claimed, he satisfied the minimum earnings condition for sickness benefit.

Unemployment and sickness benefits

30. As explained in Cmnd. 4124, these benefits will consist of a flat-rate element and an earnings-related supplement. The flat-rate element will be £5 a week provided that earnings in the income tax year relevant to the spell of unemployment or sickness were £420 or more. Where earnings were under £420 but at least £210, reduced rates will be payable. Earnings for this purpose include earnings from employment plus credited earnings of £8 8s.—one fiftieth of £420—for each week of receipt of benefit in the relevant tax year (see paragraph 59); weekly self-employed contributions, each also equivalent to earnings of £8 8s., will count for sickness but not unemployment benefit.

31. Regulations will lay down the conditions whereby flat-rate benefit will be payable to certain people who have entered the employment field too recently to satisfy the normal conditions for it. Examples are school-leavers and widows with a weekly pension of less than £5.

32. The weekly rate of earnings-related supplement will be one-third of average weekly earnings (defined as one-fiftieth of the claimant's earnings from employment in the relevant income tax year) lying between £8 8s. and the upper limit of the scheme. Only those earnings count on which employee's contributions have been paid; credited earnings, or those derived from self-employed contributions, will not do so. The supplement will be limited, where appropriate, to the amount necessary to raise the flat-rate benefit (including any dependency

increases—see paragraphs 44 and 45) to 85% of earnings in the relevant income tax year.

33. Spells of unemployment or sickness (or of receipt of maternity allowance —see paragraph 41) which are separated by 13 weeks or less will be treated as a single period of interruption of employment. Within such a period no change will be made in the income tax year used for calculating benefit. In any period of interruption of employment flat-rate benefit will be paid for a maximum of 312 days (52 weeks) of unemployment and 168 days (28 weeks) of sickness. Earnings-related supplement will be payable from the 13th until the 168th day of a period of interruption of employment.

34. There will be no change in the present arrangements for waiting days* nor in the rules determining entitlement for odd days of unemployment and sickness. Unemployment and sickness benefit for men over 65 and women over 60 will be payable at their pension rate, calculated as in paragraphs 14 to 16 and modified, during the first twenty years of the new scheme, as in paragraphs 46 to 48.

35. Existing rules regarding disqualification for benefit (e.g. from unemployment benefit, for refusing an offer of suitable employment without good cause) will generally continue unchanged. But there will be a change in the trade dispute disqualification for unemployment benefit, following the Report (Cmnd. 3623) of the Royal Commission on Trade Unions and Employers' Associations. In future, people who have lost employment as a result of a stoppage of work due to a trade dispute at their place of employment will be disqualified from unemployment benefit only if they are themselves participating in the dispute or are directly interested in it.

36. The Bill makes a parallel amendment in the Ministry of Social Security Act 1966 for the purpose of supplementary benefit (see paragraph 85).

Invalidity pension

37. Invalidity pension will be payable to anyone who is still sick after drawing sickness benefit under the new scheme for 28 weeks. It will be based on average earnings, calculated as for retirement pension (see paragraphs 14 and 15). Where earnings, up to the end of the last complete tax year, have averaged more than £630 a year, the individual's record will be completed by crediting him with earnings of £630 (for this purpose only) for the remaining years in his retirement pension test period†; in other cases benefit will be based on his average earnings to date. Invalidity pension, like retirement pension, will be calculated by applying the 60%/25% formula (see paragraph 16). For the special arrangements which will apply during the scheme's first twenty years, see paragraphs 46 to 48.

38. As an alternative to any entitlement under the last paragraph, a woman who was widowed under 50 will be able to draw invalidity pension at the rate

* There are three waiting days for flat-rate benefit. No payment is made for these days unless there are at least 12 days of sickness or unemployment in the same period of interruption of employment. There are 12 waiting days at the start of each period of interruption of employment before earnings-related supplement becomes payable.

† Thus, for example, a person who worked for half a normal working life before falling ill, and who had had average earnings (in 1969 terms) of £1,000 a year during that time, would have his record completed with earnings of £630 so that his overall life average would work out at £815—mid-way between the two figures. In current terms, the invalidity pension payable on this record would be £424 5s. a year (60% of £630, plus 25% of the remaining £185) or about £8 3s. a week.

required to bring her total benefit up to the level of the widow's pension which she would have received if she had been 50 or over at widowhood.

Attendance allowance

39. An allowance of £4 a week will be payable to people, primarily those living at home, who are so severely disabled physically or mentally that it has been essential for them for six months or more to receive a great deal of attention from another person, particularly, but not only, during the day. Regulations will provide for payment of the allowance to the parents of children who are badly handicapped. Eligibility for the allowance in terms of attendance needs will be decided by an Attendance Allowance Board composed of medical practitioners with special experience in this field.

40. The attendance allowance is intended for the most severely disabled, who place the heaviest burden on those who have to provide for their care. The major Government survey of the disabled has given the basis for some estimate to be made of how many adults in this group are living at home; inevitably arbitrary assumptions have had to be made as to the numbers of adults not at home, and of children who will qualify. The resulting estimate is around 50,000. People will be able to qualify for the allowance not only by virtue of earnings under the new scheme (see paragraph 29) but also, under transitional regulations, if they have a contribution record, or have become entitled to a benefit or pension, under the present flat-rate scheme.

Maternity benefit

41. There will be, as at present, a maternity grant of £25 payable—as explained in paragraph 29—on the earnings record of either husband or wife. In addition, where a woman has a record of her own she may qualify for maternity allowance which, as now, will normally be payable for an 18-week period starting 11 weeks before the expected week of confinement. Like unemployment and sickness benefits, the allowance will consist of a flat-rate element and an earnings-related supplement: the earnings conditions and rates of benefit will be the same as those for sickness benefit. A period of receipt of maternity allowance will form part of a period of interruption of employment (see paragraph 33) but will not count against the 168 days of entitlement to flat-rate sickness benefit.

Child's special allowance

42. Child's special allowance is paid for the children of a divorced woman if their father dies and if he has been maintaining them, or liable to maintain them. The weekly rate will continue at £2 9s. for each child, less family allowances.

Guardian's allowance

43. Guardian's allowance will continue to be paid but, as explained in Cmnd. 4124, it is proposed that in future it should be financed, like family allowances, from the Consolidated Fund. No provision is therefore made for it in this Bill.

V. Benefits for dependants

44. As under the present scheme, there will be provision for increasing benefits where a beneficiary has a wife or other adult dependant. The increase will be at the present rate of £3 2s. a week. With unemployment and sickness benefit it will be payable only if the net weekly earnings of the wife, or other adult dependant, do not exceed £3 2s. For retirement and invalidity pensioners,

however, it is proposed to provide through regulations for the increase to be payable in full if her earnings do not exceed £7 10s. and to be reduced on a sliding scale for earnings above that level (in the same way as a retirement pension).

45. As at present, the main benefits of the scheme will be increased by £1 11s. a week—less family allowances—for each dependent child. As paragraphs 20 and 22 make clear, however, a preferential rate of £2 9s. a week will continue to be paid for the children of widows.

VI. Benefits in the 20-year maturity period

46. As was explained in Cmnd. 3883 (paragraphs 61, 82 and 89) the provisions of the Bill governing retirement pensions, widowhood benefits (other than widow's allowance) and invalidity pension, which are all to be based on life average earnings, will come fully into operation when the new scheme has been in force for 20 years. If, as is the Government's aim, the new scheme begins to operate in April 1972—at the start of the 1972/73 income tax year—there will be a transitional period until April 1992. Until that date awards of these pensions and benefits will be based partly on "old-scheme" and partly on "new-scheme" rates. The method of calculation will be laid down in regulations to be made under the transitional powers in the Bill.

47. After one year of the new scheme, new awards of benefit will consist of $\frac{1}{20}$ of "new-scheme" plus $\frac{19}{20}$ of "old-scheme" entitlement. For benefits awarded the following year these proportions will change to $\frac{2}{20}$ and $\frac{18}{20}$. In this way "old-scheme" entitlement will be phased out after twenty years of the new scheme. In these calculations "new-scheme" benefit entitlement will be reckoned according to the permanent provisions set out in paragraphs 14 to 17, 22 to 27, and 37. For the purposes of retirement and widowhood benefits, the "old-scheme" rate will depend on the actual contribution average achieved up to 1972; for the new invalidity pension an "old-scheme" entitlement to benefit at the £5 standard rate will be assumed in all cases. Special provision will be made for cases where invalidity pension or widowhood benefits are claimed during the maturity period but the person concerned is too young to have been insured before 1972.

48. Some examples of the benefit calculation where people reach pension age at different points during the maturity period, showing the interaction of "old-scheme" and "new-scheme" benefit elements, were given in Cmnd. 3883 (Appendix I, paragraph 21). Further illustrations are in Appendix C to this Memorandum.

49. Although the main pension provisions described in paragraphs 13 to 17 and 25 to 27 will only come fully into force over a period of twenty years, the arrangements set out in paragraph 18 for giving a return on contributions paid after the end of the retirement pension test period, and on pension forgone during deferred retirement, will operate from the start of the new scheme.

VII. Industrial injuries benefits

50. Where, in the case of an employed person, an accident arising out of or in the course of his employment or a prescribed industrial disease causes incapacity, disablement or death the benefits of the separate industrial injuries scheme are payable. The changes which the Bill makes are mainly in injury benefit and industrial death benefit, for which there are broadly corresponding benefits under the new national superannuation and social insurance schemes.

Injury benefit

51. Injury benefit of £2 15s. a week will be payable for the first 26 weeks of industrial incapacity in addition to any sickness benefit or invalidity pension which is in payment under the main scheme. The rule preventing sickness benefit from exceeding 85% of earnings in the relevant income tax year—see paragraph 32—will apply also to total entitlement to sickness and injury benefit. There will, however, be provision to ensure that sickness and injury benefit together are not reduced below £7 15s. a week (the present rate) either by this rule or, unless the employee is a part-time worker, because he is not entitled to flat-rate sickness benefit at the standard £5 rate. Where he is a part-time worker, that is one not normally gainfully occupied at the time of the accident for 21 hours a week or more, his rate of sickness and injury benefit together will not be allowed to fall below £5 5s. a week. In addition, both full-time and part-time workers will receive any appropriate dependency increases as in paragraphs 44 and 45.

Disablement benefit

52. When injury benefit comes to an end, either after 26 weeks' incapacity or on return to work, any loss of faculty resulting from an industrial cause will, as now, give title to disablement benefit. No change will be made in the weekly rate of this benefit (at present £8 8s. for 100% disablement) though it will be brought within the scope of the biennial reviews of benefit levels described in paragraphs 54 to 56. Provision will also be made to bring the lower rates of disablement pension or gratuity for persons under 18 into line with the rates for adults. The rate of unemployability supplement (the additional allowance payable with disablement pension where incapacity due to the industrial accident or disease is likely to be permanent) will, as now, be kept in line with the full rate of flat-rate sickness benefit. There will be a new power enabling adjustments in the supplement to be made in the same way as in sickness benefit during extended periods of free in-patient treatment in hospital. Other supplementary allowances will continue unchanged.

Industrial death benefit

53. Where a man's death is industrially caused, provision for his widow will be made under the national superannuation scheme (see paragraphs 20 to 24). There will be special safeguards for certain widows whose husbands had low earnings records. In place of the other ways in which a widow whose husband's death is industrially caused is at present treated more favourably than other widows, a new industrial death grant of £300 will be introduced, and a similar grant will replace the present provision for incapacitated widowers. Smaller grants, not exceeding £100, will replace the minor benefits at present provided for other adult dependants. There will be an upper limit of £500 on the aggregate amount normally payable for any one death.

VIII. Reviews of benefit levels

54. The Bill requires the Secretary of State to review benefit levels at two-yearly intervals. If the review shows that an increase is necessary to maintain the real value of benefits, orders for this purpose are to be laid before Parliament during the month of June in the year of review. If, on any occasion, no such increase is necessary, the Secretary of State is to lay before Parliament a statement to that effect. Alternatively, he may, in his discretion, lay orders increasing benefits notwithstanding that such increase is not obligatory, or

increasing them by more than the amount necessary to maintain their real value, if he considers this appropriate having regard in particular to changes in the general standard of living and to the general economic situation.

55. Any benefit improvement following a two-yearly review must apply to personal rates of retirement pension—whether these derived originally from "old-scheme" or "new-scheme" insurance or from a combination of the two—including additional pension earned by postponement of retirement or through payment of contributions under the present graduated scheme. It must similarly cover personal rates of widowhood benefits, invalidity pension and attendance allowance, the flat-rate element of unemployment and sickness benefit and maternity allowance, the increases of benefit for a wife, or other dependent adult, described in paragraph 44, and the rate of industrial disablement benefit. Other benefit rates, such as the amounts payable for dependent children and the various lump sum grants, need not be raised on each occasion but may be included in the orders at the discretion of the Secretary of State.

56. Orders which increase benefit rates must come into force not later than the last pay-day in November for the benefit in question.

IX. General provisions

57. Regulations will provide for earnings to be credited to people receiving unemployment or sickness benefit, maternity allowance, invalidity pension, or a training allowance paid by the Department of Employment and Productivity.

58. It is proposed that these credited earnings should be of two types. First, there will be those which count towards the life record of earnings which is used in calculating retirement pension, widowhood benefits and invalidity pension. For this purpose, the amount of earnings credited for any week may not exceed £12 4s.; the total of credited earnings in any tax year may neither exceed £630 nor raise an individual's total earnings above the scheme's upper limit of £1,900. These credited earnings will be revalued like actual earnings, as shown in paragraph 14.

59. The second type of earnings credit will count towards relevant earnings for entitlement to flat-rate unemployment and sickness benefit and maternity allowance. For this purpose, the credit for a week will be equivalent to earnings of £8 8s., that is, one-fiftieth of the £420 needed to qualify for full flat-rate benefit. These credits will not however give title to the earnings-related supplement, which will still be based on actual earnings from employment.

60. Regulations will operate, as at present, to prevent or reduce duplication of benefit, and, in certain circumstances, to adjust the amount of national superannuation, social insurance or industrial injuries benefit payable to someone who is in receipt of some other payment from public funds or is receiving treatment as a hospital in-patient.

61. As at present, the operation of the scheme in respect of certain groups of contributors may be varied by regulation or order. These include the armed forces and other crown servants, mariners, airmen and people who are or have been abroad. There will continue to be power to make reciprocal agreements with social security schemes abroad. Existing agreements will continue in force.

62. Orders which vary the rates of contribution and benefit laid down in the Bill, namely those referred to in paragraphs 4, 9, 10 and 54 to 56, must be accompanied by a Report by the Government Actuary on their implications for the National Superannuation and Social Insurance Funds, and will be subject to

an affirmative resolution of both Houses of Parliament.

63. Awards of benefit are at present made by independent adjudicating authorities—an insurance officer in the first instance, with a right of appeal to a local tribunal and then to a National Insurance Commissioner. These independent authorities determine both whether there is title to benefit and the rate of benefit which is payable; in fixing the benefit rate they are bound by decisions of the Secretary of State as to the contribution and earnings record of the person concerned.

64. Under the Bill the insurance officer and the other adjudicating authorities will continue to be responsible for deciding whether there is title to benefit and for making awards. It will however be for the Secretary of State both to establish the earnings record and to decide the benefit rate appropriate to that record. At present there is no appeal from the Secretary of State's decisions on contribution matters (except on a point of law to the High Court, or, in Scotland, the Court of Session). The Bill provides for a right of appeal on both fact and law to a new appellate authority.

X. National Superannuation and Social Insurance Advisory Committee

65. A new Committee with the above title will supersede the present National Insurance Advisory Committee. The constitution and procedure of the new Committee will differ slightly from those of the NIAC so as to give greater flexibility, and the Committee will be empowered to co-opt expert assessors to assist in the study of particular questions.

66. In general, proposals for regulations are to be submitted to the Advisory Committee, except for certain specified categories. These include, in particular, statutory instruments varying rates of benefits and contributions, upon which—as explained in paragraph 62—a Report by the Government Actuary will be required. As at present, the Committee will also advise the Secretary of State on general questions connected with the scheme.

XI. Partial Contracting Out

67. The recently published White Paper (Cmnd. 4195) sets out the Government's main proposals for partial contracting out, which are implemented in this Bill.

68. An employer who has an occupational pension scheme which satisfies certain conditions will be able to contract out employees who are members of his scheme from part of the personal retirement pension of the national superannuation scheme. To do so he must apply to the Registrar of Recognised Pensionable Employments for a certificate. Only schemes which are set up by statute or are secured by irrevocable trust or by contract of assurance will be eligible. The basic condition which a scheme must satisfy is that it must guarantee to those of its members who are partially contracted out for five years or more an annual pension of not less than 1% (for men) or 0·55% (for women) of the earnings (up to the ceiling of the State scheme—£1,900 a year in 1969 terms) which they receive in the employment concerned between the tax year including the 19th birthday and reaching age 65 (60 for a woman). The scheme will be required to include in its rules a "blanket clause" to this effect. The employer will also have to satisfy the Registrar of the financial soundness of the scheme and of its ability to provide pensions at the guaranteed level. The Registrar will not normally accept a scheme as financially sound if more than 10% of the funds are lent to the employer or invested in his business. Regulations

will provide for the Registrar to supervise the occupational scheme to see that it continues to meet the conditions for contracting out, and for some measure of supervision to continue even after it has ceased to be used for contracting out, as long as any guaranteed pensions are secured in it.

69. Regulations may provide for a contracting-out certificate to be withheld if there is a provision in the occupational scheme which has the effect of requiring employees other than those retiring on pension to cease membership before age 65 (60 for a woman). Similarly regulations may prevent an employer contracting out only the younger members of his scheme. The purpose of these provisions is to prevent employers deriving a financial advantage from contracting out only younger employees.

70. If a certificate is granted, the employment concerned becomes a "recognised pensionable employment" and both the employees who serve in it and their employer will contribute to the national superannuation scheme at the abated rates shown in Table 1.

71. Where an employee leaves a recognised pensionable employment after service of five years or more, the occupational pension guaranteed under paragraph 68 must be preserved for him and paid at pension age. The amount of pension to be preserved will be 1% (for men) or 0·55% (for women) of the earnings on which contributions were payable at the abated rate. The employer may assure this pension by providing the employee with either an immediate or a deferred pension, or he may arrange to transfer responsibility for it to another partially contracted-out scheme which the employee has joined. If assurance of pension once given subsequently becomes unsatisfactory (for example, because the Registrar is no longer satisfied as to the financial soundness of the occupational scheme) the employer may be required to find fresh security for the pension—for example by buying an annuity or deferred annuity direct from an insurance company. If the employer fails to provide either the initial assurance or reassurance he may be required instead to pay a capital sum to the National Superannuation Fund.

72. Where service in a recognised pensionable employment has lasted for under five years, the employer will have the alternative of discharging his liability to guarantee a pension by making a payment in lieu of contributions into the National Superannuation Fund. This will represent the difference between the abated and full rates of contribution paid by employer and employee, as set out in Table 1, calculated in relation to the employee's earnings over the period of service. Up to half of a payment in lieu of contributions may, as now, be recovered from any contribution refund due to the employee from the occupational scheme for the period concerned.

73. An employee who has served in recognised pensionable employment and who has not had a payment in lieu of contributions made on his behalf will have his annual retirement pension (calculated as in paragraphs 14 to 17, 25 to 27 and 46 to 49 and increased as in paragraphs 54 to 56) abated by 1% (for men) or 0·55% (for women) of the earnings on which contributions at the abated rate were payable in that employment. Thus, for example, an employee who worked for four years in a recognised pensionable employment, and earned £1,300 in each year, would have his eventual pension under the national superannuation scheme reduced by 1% of £5,200, that is £52 a year or £1 a week. Earnings for this purpose exclude any above the scheme's upper limit of £1,900 in any income tax year and any received before the tax year containing

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the 19th birthday or in or after the tax year in which the 65th birthday (60th for a woman) is reached.

74. It is intended to provide through regulations for the increase in State pension (calculated as in paragraph 18) for employees who do not retire from the State scheme at pensionable age to be modified for employees who have been in recognised pensionable employment. Correspondingly, where the guaranteed occupational pension is not put into payment at pensionable age because retirement is deferred, regulations will require the occupational scheme to augment it to take account of the period of deferment.

75. Both the earnings on which a pension abatement is based and the amount of the abatement itself will remain fixed in their original cash terms. In other words they will be unaffected by the State scheme's revaluations of earnings (paragraph 14) or increases of benefit after award (paragraphs 54 to 56). The retirement pension of someone who has been partially contracted out will therefore be calculated by working out his entitlement (including the increases resulting from the revaluation of his earnings before award and the two-yearly reviews after award) as if he had always remained fully within the State scheme, and then deducting the fixed amount of abatement.

76. A man's service in recognised pensionable employment will not affect the rate of retirement pension payable on his record to his wife, former wife or widow.

XII. Preservation of occupational pension benefits

77. The Bill gives power for regulations to be made to secure that the rules of occupational pension schemes provide a deferred pension (in respect of service after the operative date of this part of the Bill) for any scheme member who leaves his employment before retirement; he must however have attained the age of 30 and have been a member of the scheme for at least five years since the operative date. This requirement will not preclude any other option that the rules of the scheme may allow to the employee, such as the withdrawal of his contributions (less any amount needed, if he was in a recognised pensionable employment, to secure the benefits guaranteed under paragraph 68 above) or the transfer of rights to another scheme on payment of a transfer value; nor will it prevent the employer from preserving voluntarily benefits which accrued before the Bill's operative date. The Government, for their part, intend to introduce preservation with full retrospection—that is, covering a person's whole service—in the armed forces, the civil service and the National Health Service for those leaving these employments after the operative date.

78. The Bill also provides that the Registrar of Recognised Pensionable Employments may be empowered to determine any question as to whether or not the rules of a scheme comply with the preservation requirement, and to require schemes' rules to be amended (or to amend them himself) as may be necessary. His authority in this respect (and as in paragraphs 79 and 82) would extend to occupational schemes which are not partially contracted out as well as to those which are.

79. Broadly speaking, the amount of deferred pension which has to be provided will be a proportion of the prospective pension to which the employee would have become entitled had he stayed until the scheme's retiring age—the relevant proportion being arrived at by comparing the length of the employee's scheme membership after the operative date with what it would have been had

he stayed on until retirement. The detailed methods by which this principle is to be applied will be laid down in regulations. It is envisaged that in schemes of the "final salary" type, prospective pension entitlement should be related to the salary on leaving; and that in schemes where a specific amount of pension accrues with each year of service the deferred pension should normally be the total of such amounts up to the date of leaving. In exceptional cases the Registrar would be able to approve any other basis of calculation which he considered reasonable in the circumstances.

80. The provisions of this part of the Bill will not be binding on the Crown, and so will not apply to the occupational pension schemes for Crown servants (for example, members of the armed forces or the civil service) or for those in analogous employments. The Government intend however that pension rights under such schemes should be preserved on terms no less favourable than those laid down in the Bill.

XIII. Modification of occupational pension schemes

81. The changes made by this Bill—particularly the new contribution and benefit levels under the State scheme and the new provisions for partial contracting out and preservation of occupational pension benefits—will inevitably mean that modifications will be needed in the rules of many occupational pension schemes. Occupational schemes may also wish to amend their rules for certain other purposes which go beyond the Bill's minimum requirements relating to preservation, for instance to provide for making transfer payments to other schemes or for preservation with full or partial retrospection.

82. Provision will therefore be made to facilitate any modification of schemes which is consequential upon the Bill and which it would not be reasonably practicable to make through a scheme's ordinary amendment procedures. Regulations will lay down the principles and procedures by reference to which modifications may be made; however, such changes may only be made so long as they safeguard rights which have accrued before the modification is made. It will be for those responsible for occupational schemes to bring forward proposed modifications under this provision; these will require the approval of the Registrar of Recognised Pensionable Employments, except when they are made by Ministerial order in relation to a public sector scheme.

XIV. Finance

83. The existing National Insurance and Industrial Injuries Funds will be replaced by new National Superannuation and Social Insurance Funds. The National Superannuation Fund will finance retirement and widowhood benefits awarded both under the present scheme and the new scheme, while the cost of social insurance benefits, and of injury benefit, industrial disablement benefit, existing industrial death benefit and the new industrial death grants will be met from the Social Insurance Fund.

84. The allocation of contribution income between the two Funds has been described in paragraphs 6 to 8 and Table 1. In addition each Fund will receive a Treasury supplement equal to 18% of its income from contributions; for the purpose of this calculation, the effect of partial contracting out on the contribution income of the National Superannuation Fund will be disregarded. The balances in the existing National Insurance Fund and National Insurance Reserve Fund will be divided equally between the two new Funds; the present Industrial Injuries Fund will be paid into the Social Insurance Fund. Estimates

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of the income and outgo of each Fund as the scheme develops are given in the Report by the Government Actuary (Cmnd. 4223) on the Financial Provisions of the Bill.

XV. Supplementary Benefit

85. The Bill amends the following provisions of the Ministry of Social Security Act 1966 relating to supplementary benefit:

(a) The regulation-making power relating to the entitlement to supplementary benefit of people who have returned to work. The new power will enable the Secretary of State to provide by regulations that the entitlement of people who return to work following an industrial dispute during which they were—or would have been—disqualified from unemployment benefit is to be the same as before they returned to work.

(b) The provision under which the personal requirements of a claimant for supplementary benefit, or a dependent member of his household, who is—or would be—disqualified from unemployment benefit because of a trade dispute are ignored in assessing the amount of any benefit to which the claimant is entitled. The amendment ensures that the criteria for disqualification follow the new unemployment benefit provision described in paragraph 35. The Bill also includes a provision covering the long-standing administrative practice whereby, to the extent that the personal resources, for example strike pay or income tax refund, of a claimant (or of a dependent member of his household) who is disqualified by these provisions from unemployment benefit do not exceed his personal requirements, it is ignored in assessing the resources to be set against the family's requirements for supplementary benefit purposes.

(c) The provision dealing with the entitlement to supplementary benefit of people who are dismissed for industrial misconduct, or leave their employment voluntarily, or refuse suitable employment without good cause, and have therefore been—or would have been—disqualified from unemployment benefit. The effect of the amendment is that in such cases the claimant's requirements, and those of his wife if he has one, will be assessed at one-third less than the normal scale rate, his rent and the requirements of any children still being met in full.

XVI. Transition and Appointed Day

86. Regulations will provide for the transition to the new scheme. Amongst other things this will mean that existing "contribution years" (which begin in the first week of March, June, September and December) will have to be varied so as to run for more or less than a year up to the beginning of the new scheme at the start of an income tax year in April; the basis for calculating flat-rate unemployment and sickness benefit, which depend on the "contribution year", will have to vary correspondingly over the period in question. Transitional regulations will also provide for insurance under the flat-rate scheme to count as earnings under the new scheme, and vice versa, for the purpose of satisfying the benefit conditions. The regulations winding up the present graduated scheme and the existing contracting out arrangements will deal, for example, with the position of people who are in contracted-out employment under both the present scheme and the new scheme.

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87. The scheme is to come into effect on a day to be appointed by the Secretary of State, and different days may be appointed for different provisions of the Bill. The target date for the start of new-scheme contributions is 6th April 1972, that is, the beginning of the 1972/73 income tax year.

XVII. Administration

88. The introduction of a wholly earnings-related system of benefits and contributions will not, of itself, increase overall costs of administration. With the disappearance of the familiar insurance card and stamp (except for the small minority of self-employed and basic contributors) earnings-related contributions will be collected through PAYE arrangements. Allowing for the provision of adequate machinery for ensuring that documents are correctly identified so that contributions paid can be credited to the correct account, the resulting extra work for the Inland Revenue will require some 1,450 staff at the outset, reducing possibly to 650 as the Inland Revenue computer network is extended to cover the whole country. This increase in Inland Revenue staff will be more than offset by a saving of at least 1,900 in the local and central offices of the Department of Health and Social Security. There will also be a saving of some £4 million a year on Post Office charges for the sale of insurance stamps, partly reflecting the equivalent of some 900 directly employed Post Office staff. The linking of the collection of contributions with PAYE arrangements and the disappearance of the separate collection of flat-rate contributions will, the Government hope, provide a welcome and time-saving simplification for employers.

89. The assessment of benefit entitlement by reference to earnings instead of by reference to flat-rate contributions is likely to give rise to additional correspondence, with employers and beneficiaries, for which about 400 staff will be required in local offices of the Department of Employment and Productivity and the Department of Health and Social Security. Additional work, including that arising from increasing involvement in matters relating to occupational pension schemes, will require about 50 staff at the Headquarters of the Department of Health and Social Security. On the other hand, as the new pension scheme comes into maturity, the number of supplementary pensioners can be expected to decline and progressively release some of the staff, at present estimated at about 4,000, engaged on that aspect of supplementary benefits work.

90. There are, however, certain new features which are being introduced at the same time as earnings-related benefits and contributions. Married women and widows in employment will be liable to pay contributions like everyone else. This will bring into the benefit field some two and three quarter million women who at present exercise an option to remain out of insurance; however, the staff costs of dealing with the extra benefit claims, estimated at some 3,000 under existing arrangements, will be more than offset by savings that can be expected as the work is reorganised in a countrywide computer network during the years immediately following the introduction of the new scheme. A total of some 500 staff will be needed for the new invalidity pension and attendance allowance, pensions for women widowed under 50, and the more generous earnings rules for the wives of invalidity and retirement pensioners.

91. Finally, during the period in which the new benefits and contribution arrangements are being introduced, work on the existing scheme and the new

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scheme will overlap and parallel records will need to be maintained. It is at present not possible to measure the staff cost of this transitional work but after a short peak period, during the first year of the new scheme, the cost will decline rapidly over the following two or three years.

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TABLE OF COMPARISON BETWEEN THE NATIONAL SUPERANNUATION AND SOCIAL INSURANCE BILL 1969 AND THE EXPLANATORY MEMORANDUM

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APPENDIX A

DECIMAL EQUIVALENTS OF THE PRINCIPAL FIGURES IN THIS MEMORANDUM WHICH INCLUDE FRACTIONS OF £1

Amount in £ s. d.	*Amount in Decimal currency*	*Description*
£1 11s.	£1.55	Increase of weekly benefit in respect of a dependent child (paragraph 45)
£2 9s.	£2.45	Increase of benefit for the children of widows (paragraphs 20 and 22)
		Weekly rate of child's special allowance (paragraph 42)
£2 15s.	£2.75	Weekly rate of injury benefit (paragraph 51)
£3 2s.	£3.10	Weekly rate of pension for a wife on her husband's record (paragraph 17)
		Increase of weekly benefit for a wife or other adult dependant (paragraph 44)
£6 5s.	£6.25	PAYE threshold in weekly terms (paragraph 6)
£7 10s.	£7.50	Level at which the earnings rule begins to operate for retirement pensions and the working wives of retirement and invalidity pensioners (paragraphs 13 and 44)
£8 8s.	£8.40	Earnings equivalent of weekly self-employed contributions for the purpose of sickness benefit and maternity allowance and of basic contributions for all benefits for which those contributions count (paragraphs 7, 8, 15 and 30)
		Level of average weekly earnings above which the earnings-related supplement is payable (paragraphs 21 and 32)
		Earnings credited for each week of receipt of benefit so as to maintain future entitlement to flat-rate social insurance benefits (paragraph 59)
£12 4s.	£12.20	Earnings equivalent of weekly self-employed contributions for benefits other than sickness benefit and maternity allowance (paragraphs 7 and 15)
		Earnings normally credited—for any week of receipt of benefit—so as to maintain future entitlement to the long-term benefits of the new scheme (paragraphs 15 and 58).

EXAMPLES OF EMPLOYEES' CONTRIBUTIONS UNDER THE BILL

(see paragraph 6 and Table 1)

I—MEN

not contracted out

Annual earnings	Contributions under the new scheme (6·75%) Annual amount	Weekly rate* £ p.	£ s. d. equivalent	Weekly contribution under the present scheme	Increase (+) or decrease (−)
£450	£30·37	£0·58	11s. 7d.	17s. 8d.	− 6s. 1d.
£630	£42·52	£0·82	16s. 5d.	£1 0s. 9d.	− 4s. 4d.
£1,000	£67·50	£1·30	£1 6s. 0d.	£1 7s. 2d.	− 1s. 2d.
£1,250	£84·37	£1·62	£1 12s. 5d.	£1 10s. 5d.	+ 2s. 0d.
£1,500	£101·25	£1·95	£1 19s. 0d.	£1 13s. 0d.	+ 6s. 0d.
£1,900	£128·25	£2·47	£2 9s. 5d.	£1 14s. 0d.	+ 15s. 5d.

contracted out

Annual earnings	Contributions under the new scheme (5·45%) Annual amount	Weekly rate* £ p.	£ s. d. equivalent	Weekly contribution under the present scheme	Increase (+) or decrease (−)
£450	£24·52	£0·47	9s. 5d.	£1 0s. 1d.	− 10s. 8d.
£630	£34·33	£0·66	13s. 2d.	£1 0s. 6d.	− 7s. 4d.
£1,000	£54·50	£1·05	£1 1s. 0d.	£1 1s. 11d.	− 11d.
£1,250	£68·12	£1·31	£1 6s. 2d.	£1 5s. 2d.	+ 1s.
£1,500	£81·75	£1·57	£1 11s. 5d.	£1 7s. 10d.	+ 3s. 7d.
£1,900	£103·55	£1·99	£1 19s. 10d.	£1 8s. 9d.	+ 11s. 1d.

* This assumes an even spread of earnings over 52 weeks.

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EXAMPLES OF EMPLOYEES' CONTRIBUTIONS UNDER THE BILL
(see paragraph 6 and Table 1)

II—WOMEN

not contracted out

Annual earnings	Contributions under the new scheme (6·75%) Annual amount	Weekly rate* £ p.	£ s. d. equivalent	Weekly contribution under the present scheme	Increase (+) or decrease (–)
£450	£30·37	£0·58	11s. 7d.	15s. 0d.	– 3s. 5d.
£630	£42·52	£0·82	16s. 5d.	18s. 1d.	– 1s. 8d.
£1,000	£67·50	£1·30	£1 6s. 0d.	£1 4s. 6d.	+ 1s. 6d.
£1,250	£84·37	£1·62	£1 12s. 5d.	£1 7s. 9d.	+ 4s. 8d.
£1,500	£101·25	£1·95	£1 19s. 0d.	£1 10s. 4d.	+ 8s. 8d.
£1,900	£128·25	£2·47	£2 9s. 5d.	£1 11s. 4d.	+ 18s. 1d.

contracted out

Annual earnings	Contributions under the new scheme (5·45%) Annual amount	Weekly rate* £ p.	£ s. d. equivalent	Weekly contribution under the present scheme	Increase (+) or decrease (–)
£450	£24·52	£0·47	9s. 5d.	16s. 6d.	– 7s. 1d.
£630	£34·33	£0·66	13s. 2d.	16s. 11d.	– 3s. 9d.
£1,000	£54·50	£1·05	£1 1s. 0d.	18s. 4d.	+ 2s. 8d.
£1,250	£68·12	£1·31	£1 6s. 2d.	£1 1s. 7d.	+ 4s. 7d.
£1,500	£81·75	£1·57	£1 11s. 5d.	£1 4s. 3d.	+ 7s. 2d.
£1,900	£103·55	£1·99	£1 19s. 10d.	£1 5s. 2d.	+ 14s. 8d.

* This assumes an even spread of earnings over 52 weeks.

EXAMPLES OF EMPLOYEES' CONTRIBUTIONS UNDER THE BILL
(see paragraph 6 and Table 1)

III—WOMEN WHO HAVE ELECTED NOT TO PAY THE PRESENT FLAT-RATE NATIONAL INSURANCE CONTRIBUTION

not contracted out

Annual earnings	Contributions under the new scheme (6·75%)			Weekly contribution under the present scheme	Increase (+) or decrease (—)
	Annual amount	Weekly rate* £ p.	£ s. d. equivalent		
£450	£30·37	£0·58	11s. 7d.	8d.	+ 10s. 11d.
£630	£42·52	£0·82	16s. 5d.	3s. 9d.	+ 12s. 8d.
£1,000	£67·50	£1·30	£1 6s. 0d.	10s. 2d.	+ 15s. 10d.
£1,250	£84·37	£1·62	£1 12s. 5d.	13s. 5d.	+ 19s. 0d.
£1,500	£101·25	£1·95	£1 19s. 0d.	16s. 0d.	+ £1 3s. 0d.
£1,900	£128·25	£2·47	£2 9s. 5d.	17s. 0d.	+ £1 12s. 5d.

contracted out

Annual earnings	Contributions under the new scheme (5·45%)			Weekly contribution under the present scheme	Increase (+) or decrease (—)
	Annual amount	Weekly rate* £ p.	£ s. d. equivalent		
£450	£24·52	£0·47	9s. 5d.	8d.	+ 8s. 9d.
£630	£34·33	£0·66	13s. 2d.	1s. 1d.	+ 12s. 1d.
£1,000	£54·50	£1·05	£1 1s. 0d.	2s. 6d.	+ 18s. 6d.
£1,250	£68·12	£1·31	£1 6s. 2d.	5s. 9d.	+ £1 0s. 5d.
£1,500	£81·75	£1·57	£1 11s. 5d.	8s. 5d.	+ £1 3s. 0d.
£1,900	£103·55	£1·99	£1 19s. 10d.	9s. 4d.	+ £1 10s. 6d.

* This assumes an even spread of earnings over 52 weeks.

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APPENDIX C

PENSIONS UNDER THE BILL—AT 1969 EARNINGS LEVELS

(See paragraphs 16 and 46 to 48)

1. Pensions awarded after the 20-year maturity period.

Life average earnings	*Annual pension*	*Weekly rate of pension* ($\frac{1}{52}$ *of annual rate*)
£450	£270	£5.19 (£5 3s. 10d.)
£630	£378	£7.27 (£7 5s. 5d.)
£1,000	£470.50	£9.05 (£9 1s.)
£1,250	£533	£10.25 (£10 5s.)
£1,500	£595.50	£11.45 (£11 9s.)
£1,900	£695.50	£13.38 (£13 7s. 7d.)

2. Examples of pensions awarded during the maturity period to people with average earnings of £1,250 since the start of the scheme, assuming this to have been in April 1972. A full record under the flat-rate scheme is assumed in all cases.

"old-scheme" pension rate—£5 a week.

"new-scheme" pension rate—£10.25 a week.

Weekly pension awarded where pension age is reached in the tax year:	*Old scheme element*	*New scheme element*	*Total*
1973/74	$\frac{19}{20} \times £5 = £4.75$	$\frac{1}{20} \times £10.25 = £0.51$	£5.26 (£5 5s. 2d.)
1976/77	$\frac{16}{20} \times £5 = £4$	$\frac{4}{20} \times £10.25 = £2.05$	£6.05 (£6 1s.)
1984/85	$\frac{8}{20} \times £5 = £2$	$\frac{12}{20} \times £10.25 = £6.15$	£8.15 (£8 3s.)
1991/92	$\frac{1}{20} \times £5 = £0.25$	$\frac{19}{20} \times £10.25 = £9.74$	£9.99 (£9 19s. 10d.)

NOTES: (i) These figures are no more than illustrative, as they assume the indefinite continuance of 1969 earnings and benefit levels.

(ii) People insured under the present scheme, whether retiring during or after the 20-year maturity period, will receive in addition to the pension shown in this Appendix any graduated pension earned between 1961 and the start of the new scheme.

(iii) The pensions of people who have worked in a recognised pensionable employment will be reduced by an amount which, as explained in paragraphs 73 to 76, will vary with both their earnings and their length of service in that employment.

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